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BIWEEKLY REPORT

SINO-SOVIET BLOC ECONOMIC ACTIVITIES IN UNDERDEVELOPED AREAS

EIC WGR 1/187

8 April 1963

PREPARED BY THE WORKING GROUP
ON SINO-SOVIET BLOC ECONOMIC ACTIVITIES
IN UNDERDEVELOPED AREAS

ECONOMIC INTELLIGENCE COMMITTEE

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Summary of Events
22 March-4 April 1963

Following the recent ratification of a number of trade agreements with Brazil, Bloc missions apparently are increasing their efforts to expand economic relations through offers of aid to several state governments. It has been reported that Czechoslovakia has offered a \$10 million development credit to the State of Pernambuco and that Rumania has offered to supply technical assistance and equipment, presumably on credit, for the construction of an oil pipeline in the State of Parana. Negotiations also are reported between Soviet officials and the Goias state administration for financing of a hydroelectric powerplant.

The USSR has offered to buy Uruguayan wool, hides, and meat valued at \$25 million, with payment at world prices in convertible currency, and Rumania has offered to purchase 15,000 tons of Uruguayan rice at \$150 per ton, approximately the going price on the world market. About \$10 million of the Soviet offer represents meat purchases that the USSR insists on tying to Uruguayan imports of \$10 million worth of crude petroleum, and the Rumanian offer contains the proviso that Uruguay spend 30 percent by value of the Rumanian purchase for Rumanian products, possibly petroleum and fertilizers. If these offers materialize, it could mean that nearly one-half of Uruguay's imports of petroleum would be supplied by Bloc sources.

Soviet activities in the Somali Republic are expanding rapidly as the USSR moves ahead with its aid program. It is estimated that there are now 100 Soviet technicians in the country, and at least 100 more are expected to arrive within a few months. This activity, however, results from the implementation of the aid program rather than from new Soviet initiatives or a realignment of Somali policy.

Some high-ranking officers of the new Iraqi regime have indicated a strong desire to terminate the Soviet military aid program, if such aid can be provided by the West. The commander of the Iraqi Air Force has stated that he hopes eventually to reequip the Air Force entirely with Western equipment and to seek Western technical assistance. If this can be done, he is willing to abandon all Soviet-supplied aircraft and equipment.

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In late March the Government of Iraq canceled three major Soviet aid projects, which represent almost 25 percent of the \$137.5 million Soviet credit extended in 1959 to the Iraqi Government. If the reports of Iraq's intention to cancel all other Soviet aid projects that are still in the embryonic stage prove to be correct, nearly two-thirds of the original credit may be canceled.

The USSR has moved swiftly to establish economic contacts with the new government of Afghanistan and to maintain its influence in the Afghan development program. Since the formation of the new government on 9 March, the USSR has agreed to ship 25,000 tons of wheat, valued at \$1.5 million, and has signed several contracts for the implementation of projects included in Afghanistan's Five Year Plan.

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